

**Transcript of Opening Statement of Senate Budget Committee  
Chairman Kent Conrad and responses to questions at Press Conference  
September 5, 2001**

Welcome.

With the new numbers from the Congressional Budget Office yesterday, it is very clear that we are, because of the president's budget plan, on the brink of using Social Security and Medicare trust fund money to finance the other operations of government. This is something the president pledged he would not do. He said repeatedly during the campaign that there was enough money to accommodate his massive tax cut, combined with a major defense build up, and that we could still have more money for education and have maximum pay-down of the debt and protect Social Security and Medicare.

Well, clearly he was wrong. He over-promised. And one of the promises that he made that he is now not keeping is the pledge not to take Social Security trust funds to finance the other operations of government. The Congressional Budget Office reported yesterday that under the president's budget, we will be using Social Security trust fund money this year. We are poised to do it next year if the president's increase in defense spending is granted. And we are also poised to do it in 2003 and 2004.

You will recall at the joint session of Congress, the president said, "To make sure the retirement savings of American seniors are not diverted to any other program, my budget protects all \$2.6 trillion of the Social Security surplus for Social Security and Social Security alone." That is presumably now inoperative.

He also said, "I believe the entire Social Security surplus should be protected by a lockbox, and that Social Security's money belongs to Social Security."

And finally he said, "Every dollar of Social Security and Medicare tax revenue will be reserved for Social Security and Medicare." Well, that's not even close to being right.

What we see is if we just take the Republican spending plan, coupled with the tax cut, and put in the president's request for additional funding for defense, he will be taking \$500 billion out of the trust funds of Medicare and Social Security to pay for other things.

Facts are stubborn things.

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We'll be happy to take any questions. Before we do, I'd just like to point out that some have been asserting that this whole problem is caused by spending. If we look at what happened to the surplus from 2002 to 2011, you can see, according to CBO's numbers, where the money went.

The tax cut accounted for 74 percent of the reduction in the surplus. That's the tax cut itself plus the interest cost associated with it. Twenty-one percent of the reduction in the surplus came from the faltering economy. Five percent came from spending, every dime of which was supported by the president.

In addition, as we've gone through the appropriations process, the Congress has not added one penny to the budget resolution passed by our colleagues, the Republicans, when they were in control of both chambers.

Q – (summary – is Senator Daschle being naive when he said President Bush intends to protect Social Security?)

CONRAD – No, I think Senator Daschle is taking the president at his word. The president has said repeatedly during the campaign, and apparently in the meeting yesterday that he does not want to take Social Security trust funds for other purposes. Unfortunately, his budget plan, according to the Congressional Budget Office, shows otherwise. It shows that the president's plan will be taking, not just this year, but over the years of this budget, literally hundreds of billions of dollars from the trust funds.

Q – Senator, aren't you sort of proposing here, at least some sort of repeal of this tax cut? Some cutting of this tax cut?

CONRAD – No. Why not? Because, look, there's no way that's going to happen this year. And number two, we shouldn't have a tax increase in the midst of an economic slow-down. That doesn't make any economic sense. The last thing we should do is have the federal government move out of its role of countering the economic wave that we're in. That would just make things worse.

So, look, we need a plan. We're on the president's. As you know, we proposed a different plan. We proposed a plan in great detail, that had about a half a big of tax cut as the president insisted on. We would have avoided many of these problems had our plan been adopted. But it was not. Now we're on their plan. They control the House of Representatives; they control the White House; they have got to participate in any solution. It's pretty hard to get to that when they're saying everything is fine. The president says we're awash in money. His aides say this is exactly where we wanted to be. Well, something here doesn't add up. How can we be where they wanted when we see, according to the Congressional Office, they're going to be taking hundreds of billions of dollars from the trust funds, which they promised not to do.

Q – I just wanted to ask, what kind of economic stimulus ideas are you proposing at this point? You know the Republicans' idea of economic spending is to cut the capital gains tax, increase the R&D tax credit. What is your counter to that?

CONRAD – Their plan is dig the hole deeper before we start filling it in. It's more of the same from them. It's really quite remarkable that the best they can come up is let's dig the hold even deeper. That's no answer. Look, I think Wayne Angell, who was on one of the weekend

shows, indicated that for the rest of this year most of the burden for economic revitalization falls to monetary policy in the Federal Reserve. Number one, that's the thing that can take effect most immediately. Number two, that's the thing that gives you the biggest bang for the buck. But one of the reasons the Federal Reserve is being hemmed in here is because of the president's long-term budget policy. Wall Street can add. They can see this budget plan doesn't add up.

And if you look at interest rates, it's very interesting. Short-term rates have come down dramatically as the Federal Reserve has lowered interest rates seven times. Long-term rates have not come down. One of the reasons I believe they haven't come down is because they can see these budget imbalances, they can see that we're back to deficit, they can see this long-term plan doesn't add up.

So our answer has been fiscal stimulus in the short term. As you recall, we proposed more of a tax cut this year than the president did, but we did not support shifting \$33 billion out of this year into next year to make his tax cut look more affordable next year.

Q – But what can you do now in terms of the stimulus? I think in years past you've passed so-called stimulus packages. What sort of package are you looking at?

CONRAD – No. I hope this is clear. What I've just said is that the stimulus that will come to this economy is largely going to have to come from the Federal Reserve further lowering interest rates. And to make that more possible, it is critically important that we maintain fiscal discipline for the longer term. That is, that we have a plan that adds up, unlike the president's.

Q – Secretary Rumsfeld said again today that he needs every nickel of that \$18 billion increase. What's your forecast for that request?

CONRAD – Well, it's hard to forecast. As you know, the president has asked for \$18 billion more for defense for next year, but he has not come up with a way of paying for it. That means the money will come right out of the Social Security Trust Fund. I think that's a mistake. I wouldn't support taking the money out of the Social Security Trust Fund to pay for his increase in defense. And I wrote the president in June and asked him to come up with a way of paying for it. I have not heard an answer to that letter.

Q – Senator, you said now with a slow-down is not the right time for a tax increase. Isn't that what happened in '93 when the previous administration pushed through a tax increase and it created a turnaround in the economy and led to the surplus that we've now frittered away?

CONRAD – It's a little different than this circumstance.

Q – How so?

CONRAD – The economy was actually resuming growth. You'll recall if you look back at the numbers, the economy was not going down, it was coming up. And yes, tax increases and spending cuts were then imposed to restore fiscal discipline, to get us in a situation instead of

burgeoning deficits, we were moving toward balance. That was critically important because it helped bring down interest rates and helped give lift to the economy.

Q – What kind of trigger mechanism are you looking at?

CONRAD – Look, as you know, as part of the tax plan that we proposed, we had a trigger so that with the uncertainty of the forecast, we could assure the American people we wouldn't go into Medicare and Social Security. The president rejected that. He said there was no need for a trigger. Well, again he was wrong.

Q – Social Security monies have been spent for years, so what's the worry about the danger now to the program?

CONRAD – Very good question. It has not been spent. Social Security trust fund money has not been spent any of the last three years. And we were on a course not to do it going forward. That was so important because we don't have time for recovery. You know, unlike the '80s when we had a similar fiscal fiasco, when another president said you could have big tax cut, big defense build up, do all these things, it would all add up. It didn't then. It doesn't now. The difference is in the '80s you had time to recover. Now, there is no time to recover. That's why it was critically important that we quit raiding Social Security trust funds.

And remember, in those days the Social Security trust fund surpluses were relatively small--really quite small. Now, they're very large and growing very fast. Because the idea was that you would run surpluses to get ready for when the baby boomers retired. If you take that money and use it for something else, now that money's not available to pay down the debt.

You know, the president's plan is you're taking the Social Security trust fund surpluses to pay down the debt. But look what's happening. He told us just four months ago he'd have the debt down to \$1.3 trillion by 2006. Now, Congressional Budget Office says, oops – it's going to be \$1 trillion more. The national debt – the publicly held part of the national debt – is going to be \$1 trillion more than we were told just four months ago. The consequence of that is the interest cost to the federal government is going up 91 percent. Instead of \$600 billion of interest cost, we're going to have \$1.2 trillion of interest cost. So there are real consequences to what's been done.